

## Message Text

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SUBJ: PRESIDENTIAL VISIT BACKGROUND PAPER IX: JAPAN AND THE  
MIDDLE EAST

1. JAPAN'S INTERESTS IN THE MIDDLE EAST ARE A FUNCTION OF ITS DEPENDENCE ON OIL -- VIRTUALLY 100 PERCENT OF ITS OIL IS IMPORTED AND ABOUT 65 PERCENT OF THAT COMES FROM MIDDLE EAST COUNTRIES. PRIOR TO THE OCTOBER WAR, JAPAN'S POLICY WAS TO RELY HEAVILY ON MAJOR OIL COMPANIES ECONOMICALLY AND ON THE U.S. POLITICALLY TO ENSURE CONTINUATION OF NEEDED SUPPLIES. EVENTS SINCE OCTOBER HAVE THRUST JAPAN FROM A PASSIVE POSTURE INTO A MORE COMPREHENSIVE ECONOMIC AND POLITICAL ROLE IN ORDER TO ACHIEVE ITS OVERRIDING OBJECTIVE IN MIDDLE EAST - I.E. TO OBTAIN OIL AND THE PETRO DOLLARS TO PAY FOR IT.

2. THE TASK OF DEFINING AND DEVELOPING A NEW ROLE HAS BEEN MADE DIFFICULT BY JAPAN'S CONTINUING NEED TO BALANCE INTERESTS RELATING NOT ONLY TO PRODUCING COUNTRIES BUT ALSO CONSUMERS AND THE INTERNATIONAL MAJORS. IN ADDITION, JAPAN HAS BEEN HAMPERED BY BUREAUCRATIC RIVALRIES AT HOME, LACK OF HISTORIC INFLUENCE AND EXPERIENCE IN THE AREA, AND LONG-TERM NEGLECT OF FOREIGN POLICY APPARATUS BOTH IN THE FOREIGN MINISTRY AND AT POSTS IN THE MIDDLE EAST. THUS FAR, JAPANESE POLICY HAS BEEN A COMBINATION  
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OF EXPLICIT POLITICAL SUPPORT FOR ARAB POSITION IN THE

DISPUTE WITH ISRAELIS, DEVELOPMENT OF BILATERAL ECONOMIC AND TECHNICAL ASSISTANCE PROGRAMS, AND ENHANCEMENT OF INVESTMENT PROJECTS ON COMMERCIAL BASIS. JAPANESE HAVE ALSO IMPROVED THE QUALITY OF PERSONNEL WORKING ON THE MIDDLE EAST IN THE FOREIGN MINISTRY AND ARE TRYING TO GET THE FUNDS NECESSARY TO STRENGTHEN DIPLOMATIC MISSIONS IN THAT AREA.

3. JAPANESE AMBASSADORS TO THE MIDDLE EAST COUNTRIES, MEETING IN PARIS IN SEPT 1974 CONCLUDED THAT JAPAN'S RELATIONSHIPS WITH OIL PRODUCERS ARE MORE DIFFICULT TO MANAGE THAN WITH NON-PRODUCERS. NUMEROUS PROBLEMS HAVE EMERGED IN THE IMPLEMENTATION OF AID PROGRAMS AND INVESTMENT PROJECTS IN MIDDLE EAST. THE INITIAL JAPANESE RESPONSE TO THE OIL CRISIS WAS TO SEND A SUCCESSION OF HIGH-LEVEL TEAMS TO MIDDLE EAST CARRYING GENEROUS, THOUGH OFTEN VAGUE, OFFERS OF GOVERNMENT AND PRIVATE ECONOMIC ASSISTANCE TO PRODUCING COUNTRIES. THESE EFFORTS WERE CHARACTERIZED BY INADEQUATE PREPARATION AND COORDINATION (THE IRAQIS COMPLAINED TO THE JAPANESE THAT EACH OF THE FOUR DIFFERENT DELEGATIONS WHICH VISITED DURING THE PAST YEAR TOLD THEM SOMETHING DIFFERENT). THEY CONTRASTED ON THE AID SIDE WITH VERY MODEST GOJ ACTIVITIES IN EARLIER YEARS AND ON THE PRIVATE INVESTMENT SIDE WITH MANY INSTANCES OF PROPOSALS WHICH WERE NEVER BROUGHT TO IMPLEMENTATION STAGE. ARABS HAVE FOUND JAPANESE POLICY-MAKING PROCEDURES IN THE ECONOMIC AND TECHNICAL ASSISTANCE FIELD CUMBERSOME AND COORDINATION BETWEEN FONOFF AND MITI POOR. THE JAPANESE HAVE FOUND ARABS HARD TO PLEASE, EITHER WANTING TOO MUCH OR NOT KNOWING WHAT THEY WANT. SIMILARLY THE GOJ HAS HAD DIFFICULTY IN MEETING REQUESTS FOR MANPOWER AND TECHNICAL ASSISTANCE MADE BY RICHER ARAB COUNTRIES. MAJOR INVESTMENT PROJECTS HAVE NOT MOVED QUICKLY. ARABS HAVE FELT THAT THE GOJ SHOULD BE QUICKER TO ENCOURAGE AND SUPPORT PRIVATE INVESTORS, WHILE AT THE SAME TIME REFRAINING FROM PROVIDING GUIDANCE TO PRIVATE NEGOTIATORS ON OIL AND GAS PRICES.

4. JAPANESE FEEL THEY ARE DOING BETTER WITH NON-OIL PRODUCERS, PARTICULARLY EGYPT, POSSIBLY BECAUSE REQUIRE-  
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MENTS OF THESE COUNTRIES ARE EASIER TO RECOGNIZE. A NUMBER OF EGYPTIAN LEADERS, INCLUDING THE MINISTER OF CULTURE AND EDUCATION, HAVE VISITED TOKYO THIS YEAR. FOREIGN MINISTER KIMURA WILL VISIT CAIRO IN NOVEMBER AND INVITE PRESIDENT SADAT TO RETURN THE CALL NEXT YEAR. RELATIONS WITH JORDAN AND MOROCCO ARE IMPROVING. WITH SYRIA, RELATIONS ARE CORRECT BUT NOT PARTICULARLY WARM.

5. WHILE IRAN IS NOT DIRECTLY INVOLVED IN THE POLITICS OF THE MIDDLE EAST, JAPAN FULLY RECOGNIZES ITS ECONOMIC IMPORTANCE. IRAN IS JAPAN'S LARGEST OIL SUPPLIER (32PCT), ITS MOST IMPORTANT TRADING PARTNER IN THE MIDDLE EAST ( 2.5 BILLION BILATERAL TRADE) AND LOCUS OF CONSIDERABLE ACTUAL AND PLANNED JAPANESE INVESTMENT (MOST NOTABLE IN THE LATTER CATEGORY IS A \$1BILLION-PLUS REFINERY AND PETROLEUM PROJECT).

6. THE STATEMENT OF NOVEMBER 22, 1973, URGING ISRAELI WITHDRAWAL FROM ARAB TERRITORIES OCCUPIED DURING THE 1967 WAR, WAS JAPAN'S FIRST -- AND THUS FAR ONLY -- POLITICAL PAYMENT FOR CONTINUED OIL SUPPLIES. FERVENTLY HOPING TO AVOID PAYING FURTHER INSTALLMENTS, THE GOJ IS FIRMLY BEHIND US EFFORTS TO FACILITATE A PEACEFUL SETTLEMENT OF THE ARAB-ISRAELI DISPUTE. THE JAPANESE BELIEVE THAT A RESUMPTION OF FIGHTING IS UNLIKELY OVER THE NEXT FEW MONTHS, EVEN IN THE GOLAN HEIGHTS, BUT THINK HOSTILITIES COULD BREAK OUT NEXT YEAR IF THE ARABS ARE NOT SATISFIED WITH THE PROGRESS OF NEGOTIATIONS. THE JAPANESE ARE OPTIMISTIC THAT THE ARAB MAINSTREAM LED BY EGYPT WILL REACH A CONSENSUS WHICH WILL PREVAIL AT UPCOMING ARAB SUMMIT, WHATEVER THE ACTIONS OF RADICALS LIKE LIBYA. THEY WORRY, HOWEVER, THAT RECENT CONCESSIONS MADE TO THE PLO BY EGYPTIANS AND AT THE UN MAY HARDEN PALESTINIAN ATTITUDES TOWARD THE NEGOTIATIONS.

7. THE JAPANESE WILL CONTINUE TO DEPEND HEAVILY ON US AS SOURCE OF INFORMATION AND GUIDANCE ON MIDDLE EAST DEVELOP-  
MAMENTS. THEY WILL ALSO CONTINUE TO SEE US AS PLAYING A MAJOR ROLE IN EFFORTS TO WORK OUT A PEACEFUL SOLUTION TO THE ARAB-ISRAELI PROBLEM. HOWEVER, GREAT DEPENDENCE ON MIDDLE EAST OIL WILL DICTATE A CAREFUL POLICY VIS-A-VIS PRODUCER COUNTRIES AND CONSCIOUS EFFORTS TO AVOID ANY  
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APPEARANCE OF A PRODUCER-CONSUMER CONFRONTATION.

RECOMMENDED US POSITION

8. IN SUMMIT DISCUSSIONS ON MIDDLE EAST PROSPECTS, IT WOULD BE USEFUL TO REMIND JAPAN THAT BILATERAL ECONOMIC ARRANGEMENTS WITH ARAB PRODUCERS DESIGNED TO ASSURE OIL SUPPLIES WILL PROBABLY NOT SURVIVE A BREAKDOWN IN THE PROCESS LEADING TO OVERALL POLITICAL SETTLEMENT. IT MIGHT ALSO BE POSSIBLE TO ENCOURAGE JAPAN TO PAY MORE ATTENTION TO DEVELOPMENT OF RELATIONSHIPS WITH NON-PRODUCER COUNTRIES (JORDAN AND SYRIA) DIRECTLY INVOLVED IN THE NEGOTIATIONS.  
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